PETROCORP GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2012

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FOR THE NINE-MONTH PERIOD ENDED DECEMBER 30, 2012

The following Management Discussion and Analysis (MD&A) is based on the unaudited December 31, 2012 interim consolidated financial statements, prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), and is provided to assist readers in understanding the financial performance of PetroCorp Group Inc., ("PetroCorp" or the "Corporation") during the period(s) presented. This MD&A is dated February 27, 2013.

The following MD&A should be read in conjunction with the unaudited December 31, 2012 interim consolidated financial statements, the audited consolidated financial statements and notes thereto for the years ended March 31, 2012 and 2011, and the MD&A for the year ended March 31, 2012.

All values expressed in this document are in Canadian dollars, except for charts and/or graphs which are in thousands of Canadian dollars.

FORWARD LOOKING STATEMENTS

The following discussion contains certain forward-looking statements, including management's assessment of future plans, expenses, taxes, payments and liabilities under the APAs (as defined herein), the amount of the distribution of proceeds from the APAs to the shareholders, and the timing thereof, and the completion of the Follow-on Transaction (as defined herein) and the timing thereof, that involve substantial known and unknown risks, assumptions and uncertainties, certain of which are beyond the Corporation's control. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to PetroCorp or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Furthermore, the forward-looking statements contained in this document are made as of the date of this document and PetroCorp does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

DESCRIPTION OF THE BUSINESS

At the present time the Corporation is an inactive company with no ongoing business operations. The Corporation's primary responsibility is to collect the funds payable pursuant to the terms of the APAs (as defined herein), and to administer the funds for distribution or other investment.

BASIS OF PRESENTATION

As the Corporation disposed of its operating business and has no continuing operations, it changed the basis of preparing its financial statements from the going concern basis to the liquidation basis as required by International Accounting Standard ("IAS") 1. As a result, the financial statements for the period ended December 31, 2012, and the year ended March 31, 2012 have been prepared using a liquidation basis of accounting. This basis of presentation differs from the presentation adopted in the interim financial reports of the Corporation issued during its financial year ended March 31, 2012. However, the adoption of a liquidation basis of presentation did not result in a change to the net assets of the Corporation. Should the Corporation not proceed with the liquidation of its net assets, it will revert to a going concern basis of presentation.

DISCONTINUED OPERATIONS

On October 21, 2009, the Corporation signed an agreement to sell substantially all of the assets of the Corporation and its affiliates to Powell (as defined herein) for total cash consideration of up to $33.5 million. On December 15, 2009, the shareholders of the Corporation approved the Transaction (as defined herein) which closed with an effective date of that same date. PetroCorp entered into three (3) Asset Purchase Agreements (collectively the "APAs"), with three subsidiaries of Powell Industries Inc. (collectively, "Powell") of Houston, Texas. The APAs provided for the sale of substantially all of the Corporation's assets (the "Transaction"), including, but not limited to, the operating business units, trade names, inventory, leases, most liabilities, and personnel.

Powell acquired substantially all of the assets of the Corporation and its affiliates for cash consideration of up to $33.5 million subject to adjustments, with $19.6 million received by the Corporation upon closing, an additional $5.9 million dollars paid by Powell into escrow to be released after specific time periods are met and conditions are satisfied ($2.5 million held in escrow payable upon the closing of the sale of the Corporation's interest in the PCKO JV, $3.0 million held in escrow payable over a period of twenty-five months, and $0.4 million held in escrow as security on credit cards during a transitional period), and up to $8.0 million payable contingent on the operations of PowerComm achieving specified performance thresholds for the twelve months ending March 31, 2010. Powell also assumed certain liabilities of PetroCorp including bank debt, accounts payable and obligations under capital leases of approximately $26.4 million.

Subsequent to the year ended March 31, 2010, only specific adjustments settled as per the terms of the APAs were disclosed within discontinued operations. All other professional fees and ongoing costs, including those incurred as a direct or indirect result of settling the APAs were, and continue to be disclosed in the operating results of the Corporation.

As of December 31, 2012, all payments and adjustments related to the APAs have been settled, with the exception of $1,000,000 which remains in escrow as per the terms of the APAs.

As a result of the Transaction the Corporation does not have any operating business at this time.

The Corporation is party to a Statement of Claim wherein Powell is claiming that the Corporation breeched certain representations and warranties contained in the APAs. Powell is claiming it has suffered damages in the amount of $9,000,000, and is seeking indemnification for these alleged damages from the Corporation and other defendants.

HIGHLIGHTS OF THE QUARTER AND YEAR TO DATE

The Corporation is currently being managed by two individuals, to collect on the remaining proceeds, if any, and to settle the remaining obligations as a result of the Transaction; to continue to meet the Corporation's obligations as an ongoing legal entity and reporting issuer, and to pursue alternatives with respect to the future opportunities of the Corporation.

As consideration for participating in a stand-by purchase agreement (the "Stand-By Agreement") in connection with a rights offering (the "Offering") of Petrowest Energy Services Trust (the "Trust") on May 13, 2010, the Corporation was issued 1,903,452 warrants in the Trust, allowing the Corporation to acquire one Unit for each warrant held. During the year ended March 31, 2012, the Corporation exercised all 1,903,452 warrants for a total exercise price of $357,659 ($0.1879 per Unit). The Corporation accounted for its investment in the Trust as an available-for-sale financial asset, that was remeasured at fair value each reporting period. During the nine month period ended December 31, 2012, the Corporation disposed of its investment in the Trust for net proceeds of approximately $724,000 and reported a net gain of approximately $366,000.

During the year ended March 31, 2012, the Corporation received a claims notice and an indemnity notice from Powell, claiming a total of approximately $8,500,000 in damages related to the APAs (the "Powell Claim"). After reviewing the Powell Claim, the Corporation filed a dispute notice, and an objection to the claims notice, in dispute of the entire amount of the Powell Claim. As part of the Powell Claim, Powell has issued a claim against the escrow funds of $1,000,000.

On July 11, 2011, a statement of claim was filed in relation to the Powell Claim, claiming damages of $9,000,000. On August 17, 2011, the Corporation filed a statement of defense in dispute of the entire amount of the claim. The likelihood of proceeding to litigation, the quantification of settlement, and the realization of the escrow funds remains uncertain at this time, as there have been no new developments during the period ended December 30, 2012.

QUARTERLY INFORMATION AND CONSOLIDATED RESULTS

The following table sets forth selected quarterly information for the Corporation for the past eight quarters:

$ thousands, except per share data	**Dec 31, 2012**	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
Earnings (loss) from continuing operations	**$ (86)**	$ 233	$ (61)	$ (56)
Earnings (loss) per share from continuing operations, basic and diluted	**0.00**	0.00	0.00	0.00
Earnings (loss) from discontinued operations	**-**	-	-	-
Earnings (loss) per share from discontinued operations, basic and diluted	**0.00**	0.00	0.00	0.00
Per share distribution as a special dividend	**-**	-	-	-
Per share distribution as a return of capital	**-**	-	-	-

$ thousands, except per share data	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
Earnings (loss) from continuing operations	$ (179)	$ (94)	$ (93)	$ 243
Earnings (loss) per share from continuing operations, basic and diluted	0.00	0.00	0.00	0.00
Earnings (loss) from discontinued operations	-	-	-	79
Earnings (loss) per share from discontinued operations, basic and diluted	0.00	0.00	0.00	0.00
Per share distribution as a special dividend	-	-	-	-
Per share distribution as a return of capital	-	-	-	-

The Corporation’s results may vary between periods due to a number of factors, including the disposal of substantially all of the Corporation’s assets on December 15, 2009 and the corresponding reclassification to discontinued operations, and as a result of the timing of settlement of various adjustments under the terms of the APAs. As the Corporation currently has no ongoing business operations, the historical results and special distributions should not be used as predictive indicators for future expectations.

TOTAL ASSETS AND LIABILITIES

At December 31, 2012, total assets were $7,475,000; down from $7,570,000 at March 31, 2012, resulting primarily from general and administrative costs incurred to manage the Corporation, costs pursuant to the terms of the APAs, and costs incurred to defend the Powell Claim, offset in part by the proceeds received on the disposal of the investment in the Trust. Almost all of the assets as at December 31, 2012 are in the form of cash, cash equivalents, or funds held in escrow pursuant to the terms of the APAs. The Corporation continues to manage the cash in a conservative manner. Total liabilities as at December 30, 2012 were $47,000, which is comprised of accounts payable. No accrual has been made for potential purchase price adjustments, or other ongoing expenses, required to maintain the Corporations existence as a reporting issuer.

LIQUIDITY AND CAPITAL RESOURCES

Currently the Corporation's assets are primarily in cash and are invested in short term, low risk, interest bearing investments with a Canadian Financial Institution.

OUTSTANDING SHARE DATA

As at December 31, 2012, and the date hereof, the Corporation had 72,323,254 common shares outstanding. As at December 31, 2012, and the date hereof, PetroCorp had stock options outstanding to purchase 250,000 common shares.

OFF-BALANCE SHEET ARRANGEMENTS

PetroCorp Group Inc. has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

There are no amounts owing to related parties at December 31, 2012 ($12,000 – March 31, 2012). A total of $35,000 in consulting fees were paid to related parties for the nine month period ended December 31, 2012 ($32,000 – period ended December 31, 2011).

OUTLOOK

The Corporation has no operating business at this time and it is operating at minimum levels. The intent is to determine the actual financial position of the Corporation when all closing thresholds from the APAs are complete. Provision for taxes and potential distributions are all subject to the final closing proceeds from the APAs.

The Corporation has put in place a management team to manage the ongoing business of the Corporation, including monitoring the Corporation's rights and obligations under the APAs, managing the litigation process, preparing and filing tax returns, and preparing the documentation required to maintain the Corporation's status as a reporting issuer. The Board of Directors will finalize the plans of the Corporation after the proceeds from the Transaction, the taxes and ongoing obligations of the Corporation can reasonably be determined. A portion of the proceeds from the Transaction could not be payable for up to 25 months from the closing, during which time the Corporation had to maintain its existence. Due to the Powell Claim, it is now uncertain as to the timing and nature of future plans.

CRITICAL ACCOUNTING ESTIMATES

In preparing the Consolidated Financial Statements, management is required to make certain assumptions and estimates that affect the reported amounts of the Corporation's operating results and financial condition. The actual results may differ from the estimates that were reported in previous periods. The following is included in the MD&A to assist the reader in assessing the critical accounting policies and practices of the Corporation, as well as aid the reader in assessing the likelihood of materially different results being reported depending on management's assumptions and changes in prevailing conditions which affect the application of these policies and practices. Significant accounting policies are disclosed in Note 4 of the March 31, 2012 annual Consolidated Financial Statements.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The Corporation performs ongoing monitoring of the operations of the businesses sold to Powell under the APAs. The Corporation is potentially financially responsible for receivables that remain outstanding after a defined period of time elapses, under the terms of the APAs.

FAIR VALUES OF STOCK OPTIONS AND WARRANTS

Determining the fair value of stock options and warrants also requires significant judgement. Management estimates the fair value using the Black-Scholes pricing model.

SUBSEQUENT EVENTS

There are no subsequent events.

CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting standards applicable to future periods other than as discussed in the most recent annual audited financial statements for the year ended March 31, 2012.

BUSINESS RISKS

The Corporation operates as a holding company and therefore has minimal risk. The largest risk is that it may not receive the maximum funds possible pursuant to the APAs due to the various purchase price adjustment mechanisms as defined in the APAs and related documents. The Corporation is subject to specific representations and warranties under the terms of the APAs with Powell. A claim has been filed with respect to these representations and warranties, as noted in the Highlights of the Quarter section above.

ADDITIONAL INFORMATION

Additional information relating to PetroCorp Group Inc. may be found on the SEDAR website by visiting www.sedar.com.